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MANUFACTURERS HANOVER

Financial Digest

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Analysis of Business Trends Plus Selected Financial Indicators

Regional America: Rust Belt Begins to Shine

A look at the four major regions of the United States reveals both areas of strength as well as pockets of pronounced weakness. However, changes are underway. The Northeast, for example, is losing some of its formerly heady economic momentum due to the stock market plunge of last year, while the long-suffering Rust Belt of the Midwest is beginning to shine as a result of stepped-up industrial production and exports. So, too, much of the West is staging a marked rebound in business activity due to robust export growth while in the South, the picture is somewhat mixed reflecting the lingering effects of too much commercial construction and too low an oil price.

Take, for example, the Midwest. This region, which includes a large chunk of the so-called "Rust Belt", as well as the Farm Belt, was hit hard in the first half of the 1980s by both the 1981-82 recession and, after that, the high-valued dollar. But in the last few years, such manufacturing industries located in this area as steel, autos, trucks and machinery instituted streamlining and restructuring programs. These changes, which included many plant closings and sharp employment cuts, left these industries stronger and better-equipped to compete in world markets.

According to the Federal Reserve Bank of Chicago, industrial output in the Midwest is doing great. The Chicago Fed has assembled a Midwest Manufacturing Index that measures industrial output on a value-added basis in 17 industries in Illinois, Indiana, Iowa, Michigan and Wisconsin. This index rose 4.2 percent in the fourth quarter of 1987 compared with the same period a year ago. The Chicago Fed's U.S. Manufacturing Index, which measures nationwide industrial output on a comparable basis, rose only 3.2 percent over the same period.

As for the agricultural sector of the Midwest, the early 1980s were depression years. Slumping agricultural exports, depressed land values and rising input costs severely strained farmers' finances and caused many failures. But now, the bottoming of the farm recession seems to be apparent.

After falling sharply in 1986, agricultural exports jumped more than 15 percent in the 12 months ending in December 1987. What is more, operating costs are declining, government support programs are at record levels and farmland prices are finally stabilizing. According to a survey by the Department of Agriculture, appraisers of land values are now more optimistic about farm land in the Midwest. More than half the appraisers in the North Central area expect an increase in land prices this year, while only one in ten think values will fall.

Stock Market Debacle Hurts Northeast

While the Midwest is heating up, the Northeast is cooling off. After years of being one of the nation's bright spots, the luster of the Northeast has been dimmed by the stock market crash and the likelihood of defense spending cuts. This is not to say that the area has fallen on hard times. In terms of employment, the area, which includes the six New England states plus New Jersey, New York and Pennsylvania, is still the strongest in the nation. At the end of last year, seven of its nine states posted unemployment rates of less than 3.6 percent, with Massachusetts and New Hampshire having the lowest unemployment rates in the nation.

Stronger Exports Help The West

In the West, things are picking up. After three years of troubled times, much of this region is in the midst of an economic rebound. Once again, an upturn in exports due to a weaker dollar and increased demand for such regional products as wood, copper and livestock are helping to pull much of this area out of its protracted slump.

To be sure, several Western states are still in the doldrums. Montana, Wyoming and Alaska, where lower oil and coal prices have flattened local economies, are especially depressed. Alaska had the third highest unemployment rate in the nation at the end of 1987–9.7 percent. Wyoming, too, has had difficulty getting back on the growth track, despite the fact that the picturesque

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western half of the state has benefitted significantly from an upsurge in domestic tourism. The number of people working in the "Cowboy State" dropped by 11 percent between 1981 and 1987 and, not surprisingly, the erosion of jobs has led to an exodus of people. Wyoming is now the least populated state–displacing Alaska from last place.

On the positive side are Oregon and Washington, where the paper and lumber industries are again thriving, not to mention Arizona, Nevada and, of course, California, which was largely shielded from the economic slowdown of the early 1980s by its highly diversified economy. Arizona, for example, ranked first in a study of growth rates in the 50 states by INC, a monthly business magazine. The study was based on several factors, including the number of new jobs created and the number of new companies and fast-growth firms started. California ranked eighth and Nevada was tenth in the survey. At the other end of the list, Wyoming ranked last, Montana 48th and Alaska 39th.

A Mixed Picture In The South

In the South, the entire spectrum of economic performance is represented, from

Short Term Paper Outstanding

(Millions of Dollars)

Time Deposits of $100,000 or more Weekly Reporting Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (2/24/88)	182,624	+ 854	+ 13,752
New York City (3/2/88)	38,122	+ 74	+ 1,694
Commercial Paper (3/2/88)	391,046	+ 4,627	+ 54,798

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (2/24/88)	290,315	– 1,233	– 2,863
New York City (3/2/88)	56,345	+ 1,323	– 9,286

Total Loans and Leases Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (2/24/88)	862,259	– 4,751	+23,199
New York City (3/2/88)	172,335	+ 3,149	–32,657

Financial Markets

	Friday 3/11/88	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	5.87%	+ .02	+ .12
180-Day Bills†	6.08	– .13	+ .25
Longest Bills†	6.62	– .05	+ .64
Recent Issues:			
7 1/8S 2/28/90	7.16	–0–	
8 1/4S 12/31/91	7.61	+ .05	
8 1/8S 2/15/98	8.28	+ .01	
8 7/8S 8/15/17	8.51	+ .04	
Municipals:			
Bond Buyer–20 Bond Index* (3/10/88)	7.67%	+ .20	+ 1.06
Blue List Total ($ Million)	$1,405	+ $ 266	–$1,133
30-Day Visible Supply ($ Million)	$3,643	+ $ 414	–$1,011
Total	$5,048	+ $ 680	–$2,144
Corporates:			
Moody's Aa Composite (3/10/88)	9.55%	+ .11	+ .71
30-Day Visible Supply ($ Million)	$3,640	+ $2,443	+$ 681
Stocks:			
Dow-Jones Averages:			
Industrials	2,034.98	– 22.88	–223.68
Transportation	847.12	– 2.67	– 88.20
Utilities	177.34	– 5.03	– 39.21
65 Stocks	760.81	– 8.74	– 94.73
N.Y.S.E. Composite Index	149.45	– .98	– 15.86
N.Y.S.E. Avg. Daily Vol. for Week (000's)	197,660	– 10,816	+27,178

*34% Taxable equivalent 11.62%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 3/11/88	Week Ago
Overnight	6.50%	6.44%
1 month	6.69	6.69
3 month	6.75	6.63
6 month	6.88	6.81
1 year	7.25	7.00
EURODOLLAR BONDS Average Yield		
Medium Term (5 yrs.)	9.18%	9.18%
Long Term (10 yrs.)	10.12	10.12

FOREIGN EXCHANGE SPOT RATES

New York Opening (3/11/88)	Currency Per U.S. $	Week Ago
Canada	1.2552	1.2545
France	5.6540	5.7260
Germany	1.6617	1.6975
Italy	1232.75	1250.50
Japan	128.40	129.17
Mexico	2273.00	2273.00
Switzerland	1.3713	1.4045
U.K.*	1.8535	1.7680

*U.S. $ per U.K. pound

MH TRADE-WEIGHTED DOLLAR (3/11/88) (Adjusted for Inflation)	Change Since Week Ago	Change Since 2/27/85
	–0.4%	–4.8%

depressed rural areas to booming cities. The Oil Patch—Texas, Louisiana and Oklahoma—has been battered by sagging energy prices and acres of empty office space. At the same time, a revitalization is taking place in many cities located in the Southeastern coastal states, most notably in Georgia, the Carolinas and Florida.

In the Oil Patch, Louisiana has suffered the most damage with its unemployment rate standing at 10.9 percent in December of last year—the second highest rate in the country. On the other hand, Atlanta, Georgia and Raleigh, North Carolina are among the fastest growing cities nationwide, attracting more financial service-oriented and scientific jobs. Atlanta has expanded its airport, improved its highways and positioned itself as a regional hub for the entire Southeast. The Raleigh-Durham area has also expanded rapidly, building upon its base of well-regarded institutions of higher education and the expanding presence of high-technology firms. And, as has been the case for several years, Florida continues to enjoy healthy growth due to its extensive tourism base, a continued influx of prosperous retirees from the "snowbelt" and a growing electronics industry. ■

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 3/9/88	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	222.621	– 1.135	+18.225
Loans to Depository Inst.	.690	+ .306	+ .271
Float	.572	– .050	+ .137
Total Reserve Bank Credit	238.176	– 1.187	+16.239
Treasury Deposits with Federal Reserve Banks	2.951	+ .030	– .440
Currency in Circulation	224.799	– 1.056	+17.566
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	224.689	+ 2.212	+56.725
	3/9/88		
Member Bank Reserves:			
Total Reserves Held	57.187	– .204	+ 1.234
Excess (Deficiency)	.897	– .175	– .064
Net Free Reserves	.615	– .264	– .156
Monetary Aggregates †		**% Change Since 3 Months Ago*‡**	**% Change Since Year Ago****
M1 (2/29/88)	755.1	+ 3.8	+ 3.9
M2 (2/29/88)	2,947.5	+ 6.9	+ 4.1
M3 (2/29/88)	3,722.4	+ 6.7	+ 5.5
Domestic Nonfinancial Debt (3rd Q'87)	8,139.1	+ 7.6	+ 10.0

† Seasonally adjusted.
‡ Four-week moving average.
* Seasonally adjusted annual rate.
** Based on monthly data.

New York Money Market

Offering Rates 3/11/88	3 Months	6 Months	1 Year
‡U.S. Treasury Bills	5.72%	5.84%	6.25%
* Federal Agencies	6.40	6.40	6.42
* Municipal Notes—High Grade (34% Taxable Equivalent)	6.67	6.97	7.20
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	6.63	6.75	7.05

‡Finance Company Paper—Prime

5- 14 days	6.45%
15- 29 days	6.45
30- 59 days	6.50
60- 89 days	6.55
90-179 days	6.55
180-239 days	6.50
240-270 days	6.50

‡* Bankers' Acceptances

Apr.	6.48%
May	6.48
Jun.	6.50
Jul.	6.53
Aug.	6.55
Sep.	6.55

‡Industrial Paper—Prime

30- 89 days	6.57%
90-120 days	6.59

†Federal Funds Effective Rate 6.55%

‡Discount basis. *Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

		Latest Period or End of Period	Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	4th Q'87	$ 4,604	$ 4,524	$ 4,288
Gross National Product (1982 Dollars)*	4th Q'87	$ 3,878	$ 3,836	$ 3,732
Percent Change, Annual Rate	4th Q'87	4.5	4.3	1.5
Change in Consumer Prices*	Jan '88	3.6%	2.4%	8.4%
Change in Producer Prices*	Feb '88n	2.4%	4.8%	2.4%
Civilian Employment (Thousands of Persons)†	Feb '88n	114,409	114,129	111,344
Unemployment as % of Civilian Labor Force†	Feb '88n	5.7%	5.8%	6.6%
Personal Income*	Jan '88	$ 3,879	$ 3,866	$ 3,632
Leading Indicators Composite Index (1967=100)†	Jan '88n	190.2	191.3r	185.5
Industrial Production Index (1977=100) †	Jan '88	133.8	133.6	126.2
Net Change in Consumer Installment Credit †	Jan '88n	$ 5.42	$ 3.98r	$ 0.79
U.S. Merchandise Trade Balance	Dec 87	–$ 12.20	–$ 13.22	–$ 10.66
Plant and Equipment Expenditures*	1st Q'88	$427.97(a)	$417.25(a)	$374.23
Private Housing Starts (Thousands of Units)*	Jan '88	1,377	1,404	1,804
New Construction Expenditures*	Jan '88n	$ 395.2	$ 406.7r	$ 384.7
Total Business Inventories †	Dec '87	$ 701.9	$ 696.4	$ 652.6
Total Business Sales †	Dec '87	$ 466.6	$ 460.6	$ 443.6

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

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has acquired
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Ellesse USA Inc.
a subsidiary of
Ellesse Int'l. S.p.A.
has been sold to
Reebok International Ltd.
PRC Management, Inc.
has acquired
Metropolitan Savings Association
Manufacturers Hanover Trust Company initiated this transaction and acted as exclusive advisor to PRC Management.
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has been acquired by
Snamprogetti USA Inc.
a subsidiary of
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has been sold to
Chicago Pacific Corp.
Manufacturers Hanover Trust Company acted as exclusive financial advisor to Integrated Resources and Brown Jordan Company Limited Partnership in this transaction.
American Lantern
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Brown Jordan Company Limited Partnership
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Integrated Resources
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First Chicago Venture Capital Corp.
Manufacturers Hanover Trust Company acted as exclusive financial advisor to Integrated Resources and Brown Jordan Company Limited Partnership in this transaction.
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